



DEPARTMENT OF THE ARMY
INSTALLATION MANAGEMENT AGENCY
2511 JEFFERSON DAVIS HIGHWAY
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30 November 2004

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MEMORANDUM FOR US Army Installation Management Agency Region Directors

SUBJECT: US Army Installation Management Agency Policy Memorandum #42,
Morale, Welfare, and Recreation (MWR) Category C Business Performance
Improvement Program

1. REFERENCES:

- a. DoD Instruction 1015.10, Programs for Military Morale, Welfare, and Recreation, October 1996.
- b. DoD Instruction 1015.15, Procedures for Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources, January 2004
- c. Army Regulation 215-1, Morale, Welfare, and Recreation Activities and Nonappropriated Fund Instrumentalities, June 2004.
- d. Installation Management Agency (IMA) NETCALL #23, MWR Business Management, 22 Mar 04.

2. PURPOSE. To provide guidance to all US Army Installation Management Agency (IMA) personnel on Category C Business Performance Improvement Program.

3. APPLICABILITY. This policy applies to all Regions and Garrisons.

4. POLICY.

a. The Installation Management Agency is committed to effective and efficient management of Category C Business Operations. One of the goals of the IMA Strategic Plan is to provide sound stewardship of resources. The main objective to meeting this goal is to apply best business practices to meet established nonappropriated funds (NAF) operations financial performance objectives.

b. Activities in this category are not mission essential, but offer desirable social and recreational opportunities for eligible patrons. Operations are funded through

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self-generated revenue with limited appropriated funds, and income is utilized to maintain infrastructure, expand programs, renovations and new construction. Operations that are unable to achieve profitability will change their mode of operation or close. The Category C Business Performance Improvement Program is a systematic approach to ensure losing business operations become profitable, or receive an exception based on well-defined rules. This memorandum sets the procedures, timelines, responsibilities, and well-defined rules for the program.

5. PROCEDURES.

a. Operations are placed in the program when losses exceed \$35,000 over 4 quarters, based on a semi-annual review. The reviews will occur at the end of the 2nd and 4th quarter of the year. Operations will be notified in writing from HQ IMA when placed in the program, approximately 1 month following the semi-annual reviews. Operations in the program will remain for a minimum of 4 quarters, and will be removed by the Director of IMA, based on profitability over a cumulative 4 quarter time period, closure, or a waiver.

b. Operations will develop a Strategic Business and Action Plan in a standard format (encl). Operations will be judged, based on their Strategic Business and Action Plans, so it is important that plans are prepared for completeness, understanding of their markets, and especially their action plan for resolving operational problems. All plans must answer these basic questions:

(1) Is there a sufficient market here to sustain a profitable Category C Operation?

(2) Are there any staffing issues that would prevent this operation from being profitable?

(3) Is the physical plant sufficient to meet the increased demand in order to meet profitability standards?

(4) Can the operation be successful under the current mode of operation?

(5) If done properly without impediments, how long should the transformation take to break-even? Meet profitability standards?

(6) What are the external factors that contribute to the operations current failing performance?

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It is imperative that these plans include a strong market analysis, competitive analysis, and comprehensive action plan that includes objectives, actions, responsibilities, due dates, training, and any roadblocks. The competitive analysis must include a review of both internal and external competition, to include operations run by MWR, AAFES, Troop Dining Facilities, and off-base commercial operations. The competitive analysis will address each aspect of the operation (i.e. food service, retail and program services). All of these facilities are competing for the same market. If the market cannot support all of these programs, then the unprofitable operations will be closed.

c. Plans will be approved by the Garrison Commander and submitted to their respective region office. The Region Director will develop operational recommendations and approve all plans either by memorandum or executive summary for submission to the Director, IMA, by the end of the quarter in which notification is received.

d. Regions will review the implementation of the strategic action plan monthly, and submit review to HQ IMA quarterly. Regions and garrisons will adjust plans as necessary to achieve profitability. Garrisons will have 4 quarters from submission to show significant improvement, IAW an approved strategic action plan. If improvement is on course, the garrison will have an additional 2 quarters to reach profitability. If progress does not meet the action plan, the Region Director will decide on closing, consolidating, revising the recovery plan, shifting operational responsibility to the region, or seeking a waiver to continue operating a losing operation. Operations will have a maximum of 6 quarters to reach profitability from the initial corrective action.

e. Capital Projects and Minor Construction (CPMC): Existing CPMC guidance remains in effect for operations in Category C Business Performance Improvement Program status. Regions will review CPMC proposals from operations on the watch list to ensure adherence with the approved business plans, ensuring realistic chances for accomplishing return on investment. Activities are required to submit a business case analysis for all CPMC projects. This analysis must show in detail how the project fits into the strategic plan, financial impact on the program, and return on investment. Projects that do not have a significant impact on improving Net Income Before Depreciation, and directly affect the implementation of an approved action, will be disapproved.

f. Waivers will be based on specific circumstances and re-certified annually. Waivers will be submitted as a last resort, but only after the action plans have been fully implemented (6 quarters). Waivers may be submitted for remote/isolated operations where no other services are available; temporary losses due to significant deployments; or operations that support a revenue generator (i.e., club loses money, but supports the

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ARMP program). Historical data and other services, both on and off the garrison, will be determining factors in granting waivers. Waiver processes will include assessment of mission essential requirement costs for the operation, and MACOM RMs will provide non-BASOPS APF resources to cover that cost. Operations will still be required to submit plans, be monitored by the regions and HQ IMA, and the Director of IMA will approve an acceptable loss.

g. All operations that are new or re-opening after construction will submit to the region a Strategic Business and Action Plan, six weeks prior to opening, for approval. Regions will monitor action plans on a monthly basis. These operations will be exempt from the Category C Business Performance Improvement Program for 1 year to recoup losses associated with opening a new business.

h. The goal is forthright: leaders and employees throughout IMA must be committed to improving management of business operations, and only operate customer-driven programs where the market is sufficient to support profitable operations. Troops will be supported when services cannot be provided by any other means. Management professionals at all levels must understand and embrace the goal of providing sound stewardship of resources, and apply best business practices to meet NAF operations financial performance objectives.

6. PROPONENT. The Morale, Welfare, and Recreation Division is the proponent for this IMA policy. POC is Chief, Business Operations, at commercial (703) 602-7510, DSN 332-7510.

Encl

for 
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Major General, GS
Director